

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY

INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2015 AND 2014

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY

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SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Officials
June 30, 2015

Member

Representing

Frank Waters
Dave Jones, **Treasurer**

Cass County
Cass County

Cara Morgan
Brian Kingsolver

Fremont County
Fremont County

Gaylord Pitt
Sherman Struble, **Secretary**

Harrison County
Harrison County

Richard Crouch

Mills County

Donna Robinson, **Vice-Chairperson**
Brad Wright

Montgomery County
Montgomery County

Jim Richardson
Pam Herzberg

Page County
Page County

Lynn Grobe

Pottawattamie County

Terry Arentson
Charles Parkhurst

Shelby County
Shelby County

Mike Kolbe, **Chairperson**
Don Kearney
Paul Griffen

Business
Education
Economic Development

Executive Director

John McCurdy

Finance Director

Crystal Cappel

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
DAVID L. HANNASCH
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Policy Council
Southwest Iowa Planning Council and
Southwest Iowa Transit Agency
Atlantic, Iowa

Report on the Financial Statements

We have audited the accompanying statements of net position of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency (a 28E Organization) as of June 30, 2015 and 2014 and the related statements of support, revenues, expenses and changes in net position, and cash flows for the years then ended, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Policy Council
Southwest Iowa Planning Council and
Southwest Iowa Transit Agency

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency as of June 30, 2015 and 2014 and the changes in its financial position, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note H to the financial statements, Southwest Iowa Planning Council, including Southwest Iowa Transit Agency adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment to GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, and the Schedules of the Organization's Proportionate Share of the Net Pension Liability and of Organization Contributions (and the related notes) on pages 3 through 3c and on pages 23 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency, basic financial statements. The supplementary information on pages 1 and 27 through 29, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Policy Council
Southwest Iowa Planning Council and
Southwest Iowa Transit Agency

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated October 12, 2015 on our consideration of Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Deannord, Bill, Thye + co. P.C.

Atlantic, Iowa
October 12, 2015



**SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Southwest Iowa Planning Council, including Southwest Iowa Transit Agency (SWIPCO) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with SWIPCO's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- SWIPCO's operating revenues increased 2%, or \$ 67,742, from fiscal 2014 to fiscal 2015. Federal Transit funds increased by 16% and State Transit funds increased by 13%. Community Development Block Grants, RLF Grants, and Housing grants increased as well.
- SWIPCO's operating expenses were almost 1%, or \$31,127 less in fiscal 2015 than in fiscal 2014 due mainly to decreased depreciation, fuel and repair expenses.
- Net position, or total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources, decreased by approximately \$624,000 during fiscal 2015, a decrease of approximately 11.9 percent. See 3a for explanation of July 1, 2014 decrease.

USING THIS ANNUAL REPORT

Southwest Iowa Planning Council, including Southwest Iowa Transit Agency is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to SWIPCO's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statement and provides an analytical overview of SWIPCO's financial activities.

The Statement of Net Position presents information on SWIPCO's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SWIPCO is improving or deteriorating.

The statement of Support, Revenues, Expenses, and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on operating revenues and expenses, non-operating revenues and expenses, and whether SWIPCO's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in SWIPCO's cash and cash equivalents during the year. This information can assist the user of the report in determining how SWIPCO financed its activities and how it met its cash requirements.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Supplementary information provides detailed information about the revenues, expenses, and changes in net position, in addition to providing detailed information about the grant activity. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefitting the Agency.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of SWIPCO's financial position. SWIPCO's net position at the end of fiscal 2015 totaled \$4,640,493, this compares to \$5,264,316 at the end of fiscal 2014. A summary of SWIPCO's net position is presented below.

| | Net Position | | |
|--|---------------------|---------------------|---------------------|
| | 2015 | 2014 | 2013 |
| Current Assets | \$ 2,815,394 | \$ 3,043,547 | \$ 2,031,412 |
| Designated and Restricted Assets | 884,900 | 1,014,397 | 921,597 |
| Capital Assets | 2,229,960 | 2,193,541 | 2,120,649 |
| Deferred Outflows of Resources | 196,128 | -- | -- |
| Total Assets and Deferred Outflows of Resources | <u>\$ 6,126,382</u> | <u>\$ 6,251,485</u> | <u>\$ 5,073,658</u> |
| Current Liabilities | \$ 147,652 | \$ 974,656 | \$ 468,108 |
| Long-Term Liabilities | 957,104 | -- | -- |
| Deferred Inflows of Resources | 381,133 | 12,513 | 16,961 |
| Net Position | <u>4,640,493</u> | <u>5,264,316</u> | <u>4,588,589</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>\$ 6,126,382</u> | <u>\$ 6,251,485</u> | <u>\$ 5,073,658</u> |

The Government Accounting Standards Board (GASB) required a change in the method of accounting for the Organization's pension costs during the 2014-15 year. The requirement resulted in significant changes to: net position (\$1,207,242 decrease), long-term liabilities (\$1,348,263 increase), and created a deferred outflow of resources (\$141,021) as of July 1, 2014. See Notes H and O for an explanation of the change. Although the Organization's financial statement reporting has changed significantly, the requirement will have no effect on the Organization's actual operations.

Statement of Support, Revenues, Expenses, and Changes in Net Position

Operating revenues are received from federal grants, state grants, and other local sources. Operating expenses are to operate the transit system and programs. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of support, revenues, expenses, and changes in net position for the years ended June 30, 2015, 2014, and 2013 are presented below:

| | Changes in Net Position | | |
|---|-------------------------|---------------------|---------------------|
| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
| Public Support and Revenues: | | | |
| Public Support | \$ 3,148,506 | \$ 2,872,131 | \$ 2,568,783 |
| Revenues | <u>617,612</u> | <u>826,245</u> | <u>640,202</u> |
| Total Operating Revenue | <u>3,766,118</u> | <u>3,698,376</u> | <u>3,208,985</u> |
| Operating Expenses | <u>3,398,925</u> | <u>3,430,052</u> | <u>3,457,353</u> |
| Operating Income (Loss) | 367,193 | 268,324 | (248,368) |
| Non-Operating Revenue: | | | |
| Interest Income | 230 | 1,510 | 1,326 |
| Capital Grants | 211,137 | 398,621 | 512,514 |
| Gain on Sale of Assets | <u>4,859</u> | <u>7,272</u> | <u>20,446</u> |
| | <u>216,226</u> | <u>407,403</u> | <u>534,286</u> |
| Excess of Support and Revenue Over Expenses and Increase in Net Position | 583,419 | 675,727 | 285,918 |
| Net Position Beginning of Year | <u>4,057,074</u> | <u>4,588,589</u> | <u>4,302,671</u> |
| Net Position End of Year | <u>\$ 4,640,493</u> | <u>\$ 5,264,316</u> | <u>\$ 4,588,589</u> |

The Statement of Support, Revenues, Expenses, and Changes in Net Position reflects a decrease in the net position at the end of the fiscal year.

- Net position for the year decreased \$623,823. See 3a for explanation of July 1, 2014 decrease.
- SWIPCO's operating expenses (without depreciation) were \$ 2,983,732 and operating revenues were \$3,766,118. With depreciation, the total expenses were \$3,398,925 and operating revenues remained at \$3,766,118.
- State funds and federal funds for the year totaled \$2,993,253. These same funding sources for the previous fiscal year totaled \$2,723,274. These same funding sources are projected to remain in 2016 at roughly equivalent levels to fiscal 2015, except as discussed in Note K to the financial statements.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, noncapital related financing, capital and related financing and investing activities. Cash provided by the operating activities includes federal and state support, program reimbursements, and other revenue, reduced by payments to employees and to suppliers. Cash used by noncapital related financing activities includes principal payment and proceeds. Cash used by capital and related financing activities includes capital grants, sale of assets, and purchase of capital assets. Cash provided by investing activities includes interest income and changes in designated and restricted assets.

CAPITAL ASSETS

At June 30, 2015, SWIPCO had \$5,835,655 invested in depreciable capital assets, net of accumulated depreciation of \$3,660,670. Depreciation expense totaled \$415,193 for fiscal year 2015. More detailed information about SWIPCO's capital assets is presented in Note F to the financial statements.

ECONOMIC FACTORS

Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency Board of Directors (with input from local elected officials and citizens) considered various factors when setting the fiscal year 2016 budget and fees that will be charged for agency activities. SWIPCO's general operations are expected to remain consistent with the previous year, but could vary according to contracts received during the year.

CONTACTING SWIPCO'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of SWIPCO's finances and to show SWIPCO's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Southwest Iowa Planning Council, 1501 SW 7th St., Atlantic, IA 50022.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Statements of Net Position
June 30,

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

| | <u>2015</u> | Not Restated <u>2014</u> |
|--|---------------------|--------------------------------|
| Current Assets: | | |
| Cash | \$ 2,025,157 | \$ 1,272,541 |
| Accounts receivable | 594,892 | 1,545,990 |
| Prepaid expenses | <u>195,345</u> | <u>225,016</u> |
| Total current assets | 2,815,394 | 3,043,547 |
| Designated and Restricted Assets: | | |
| Internally designated assets | 271,670 | 401,167 |
| Restricted assets | <u>613,230</u> | <u>613,230</u> |
| | 884,900 | 1,014,397 |
| Capital Assets: | | |
| Depreciable capital assets, net | 2,174,985 | 2,138,566 |
| Non-depreciable capital assets | <u>54,975</u> | <u>54,975</u> |
| | <u>2,229,960</u> | <u>2,193,541</u> |
| Total assets | 5,930,254 | 6,251,485 |
| Deferred Outflows of Resources - Pension | <u>196,128</u> | <u>--</u> |
| Total assets and deferred outflows of resources | <u>\$ 6,126,382</u> | <u>\$ 6,251,485</u> |

The accompanying notes are an integral part of these statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

| | <u>2015</u> | <u>Not Restated 2014</u> |
|---|-------------------------|----------------------------------|
| Current Liabilities: | | |
| Accounts payable | \$ 66,120 | \$ 857,670 |
| Accrued employee compensation | <u>81,532</u> | <u>116,986</u> |
| Total current liabilities | 147,652 | 974,656 |
| Net Pension Liability | <u>957,104</u> | <u>--</u> |
| Total liabilities | 1,104,756 | 974,656 |
| Deferred Inflows of Resources: | | |
| Deferred grant proceeds | 16,121 | 12,513 |
| Deferred pension cost | <u>365,012</u> | <u>--</u> |
| Total deferred inflows of resources | 381,133 | 12,513 |
| Net Position: | | |
| Invested in capital assets, net of related debt | 2,229,960 | 2,174,232 |
| Restricted - expendable | 613,230 | 613,230 |
| Unrestricted | <u>1,797,303</u> | <u>2,476,854</u> |
| Total net position | 4,640,493 | 5,264,316 |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 6,126,382</u> | <u>\$ 6,251,485</u> |

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Statements of Support, Revenues, Expenses and Changes in Net Position
Year ended June 30,

| | <u>2015</u> | Not Restated <u>2014</u> |
|--|---------------------|--------------------------------|
| Public Support and Revenues: | | |
| Public support | \$ 3,148,506 | \$ 2,872,131 |
| Revenues | <u>617,612</u> | <u>826,245</u> |
| | 3,766,118 | 3,698,376 |
| Expenses: | | |
| Salaries | 1,567,514 | 1,437,712 |
| Bad debts | 166 | 513 |
| Depreciation | 415,193 | 455,671 |
| Employee benefits | 177,081 | 230,121 |
| Grant administration | 51,636 | 46,768 |
| HLSEM expense | -- | 61 |
| Insurance | 191,416 | 191,987 |
| Lubricants and fuel | 416,508 | 526,899 |
| Payroll taxes | 118,689 | 113,899 |
| Postage | 1,074 | 1,266 |
| Purchased transportation | 125,795 | 120,197 |
| Repairs and maintenance | 135,175 | 134,007 |
| Space costs | 74,912 | 66,765 |
| Transit operations | <u>123,766</u> | <u>104,186</u> |
| | 3,398,925 | 3,430,052 |
| Income from Operations | 367,193 | 268,324 |
| Non-Operating Revenue: | | |
| Interest income | 230 | 1,510 |
| Capital grants | 211,137 | 398,621 |
| Gain on sale of assets | <u>4,859</u> | <u>7,272</u> |
| | 216,226 | 407,403 |
| Excess of Support and Revenues Over Expenses and Increase in Net Position | 583,419 | 675,727 |
| Net Position Beginning of Year - as Restated (Note O) | <u>4,057,074</u> | <u>4,588,589</u> |
| Net Position End of Year | <u>\$ 4,640,493</u> | <u>\$ 5,264,316</u> |

The accompanying notes are an integral part of these statements.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Statements of Cash Flows
Year ended June 30,

| | <u>2015</u> | <u>Not Restated 2014</u> |
|--|---------------------|----------------------------------|
| Cash flows from operating activities: | | |
| Cash received from customers and agencies | \$ 4,449,161 | \$ 3,127,746 |
| Cash paid to suppliers | (2,239,876) | (1,080,748) |
| Cash paid to employees | (1,602,968) | (1,438,654) |
| Net cash provided by operating activities | <u>606,317</u> | <u>608,344</u> |
| Cash flows from capital and related financing activities: | | |
| Capital expenditures | (470,921) | (509,254) |
| Proceeds from capital grants | 482,634 | 127,124 |
| Proceeds from sale of assets | <u>4,859</u> | <u>7,272</u> |
| Net cash provided by (used in) capital and related financing activities | 16,572 | (374,858) |
| Cash flows from investing activities: | | |
| Loans receivable advances | (95,000) | (189,950) |
| Loans receivable payments received | 58,749 | 142,328 |
| Advances to Housing Trust Fund | -- | (287,399) |
| Repayments from Housing Trust Fund | -- | 436,315 |
| Interest received | <u>230</u> | <u>1,510</u> |
| Net cash provided by (used in) investing activities | <u>(36,021)</u> | <u>102,804</u> |
| Net increase in cash | 586,868 | 336,290 |
| Cash at beginning of year | <u>1,844,001</u> | <u>1,507,711</u> |
| Cash at end of year | <u>\$ 2,430,869</u> | <u>\$ 1,844,001</u> |
| Reconciliation of cash to the statements of net position: | | |
| Cash in current assets | \$ 2,025,157 | \$ 1,272,541 |
| Cash in designated and restricted assets | <u>405,712</u> | <u>571,460</u> |
| Total cash at end of year | <u>\$ 2,430,869</u> | <u>\$ 1,844,001</u> |

(continued next page)

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Statements of Cash Flows - Continued
Year ended June 30,

| | <u>2015</u> | <u>Not Restated 2014</u> |
|--|-------------------|----------------------------------|
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 367,193 | \$ 268,324 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation | 415,193 | 455,671 |
| Bad debts | 166 | 513 |
| Change in assets and liabilities | | |
| Accounts receivable | 679,435 | (566,182) |
| Prepaid expenses | 29,671 | (32,773) |
| Deferred outflows of resources | (55,107) | -- |
| Accounts payable, trade | (772,241) | 488,181 |
| Accrued employee compensation | (35,454) | (942) |
| Net pension liability | (391,159) | -- |
| Deferred inflows of resources - grant proceeds | 3,608 | (4,448) |
| Deferred inflows of resources - pension costs | 365,012 | -- |
| Total adjustments | <u>239,124</u> | <u>340,020</u> |
| Net cash provided by operating activities | <u>\$ 606,317</u> | <u>\$ 608,344</u> |

The accompanying notes are an integral part of these statements.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Financial Statements
June 30, 2015 and 2014

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

A summary of the Organization's significant accounting policies applied in the preparation of the accompanying financial statements follows.

1. Reporting Entity

Southwest Iowa Planning Council is a voluntary organization formed by the representatives of Harrison, Shelby, Cass, Fremont, Pottawattamie, Mills, Montgomery and Page counties in accordance with Chapter 28E of the Code of Iowa. The purpose of the Organization is to make comprehensive studies and plans for the development of the area it serves, to eliminate planning duplications, to promote governmental economy and efficiency, and to otherwise guide the unified development of the area. The Organization is governed by a seventeen member council appointed for one year terms. Southwest Iowa Transit Agency was formed to administer the transit services for District 13. The Transit Agency is not a separate and distinct entity from the Planning Council. As a combined group of political subdivisions, the Organization is exempt from income taxes.

The Organization has considered all potential component units for which it is financially accountable, and other entities for which the nature and significance of their relationship with the Organization are such that exclusion would cause the Organization's financial statements to be misleading or incomplete. The criteria for determining financial accountability include: appointing a majority of an entity's governing body, and (a) the Organization's ability to impose its will on that entity, or (b) the potential for the entity to provide benefits to or impose financial burdens on the Organization. The Organization has no component units.

2. Basis of Presentation

The Statement of Net Position displays the Organization's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position in a balance sheet format. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position:

- a. *Nonexpendable* - Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Organization.
- b. *Expendable* - Expendable net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Financial Statements
June 30, 2015 and 2014

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES – Continued

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

When both restricted and unrestricted net position is available for use, generally it is the Organization's policy to use restricted net position first.

3. Measurement Focus and Basis of Accounting

Measurement focus refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

4. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Accounts Receivable and Loans Receivable

The Organization considers accounts receivable and loans receivable (included in restricted assets on the balance sheets) to be fully collectible, accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

6. Investments

Investments are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue when earned, unless restricted by donor or law.

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NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

7. Capital Assets

The Organization's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets with lives in excess of four years and cost in excess of \$2,000 are capitalized. These capital assets, other than land, are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using their estimated useful lives (ten to forty years for buildings and land improvements and five to ten years for equipment). Capital assets and depreciation expense were not recorded by the Organization prior to 1985.

8. Compensated Absences

Full-time employees of the Organization earn paid time off hours at varying rates depending on years of service, up to a maximum of 144 hours per year. Paid time off, at varying rates, up to a maximum of 144 hours may be carried over to the subsequent calendar year. Any excess over 144 hours accumulated by January 1 of each year is lost. The computed amount of paid time off earned by year end is recorded as part of accrued employee compensation.

9. Grant Revenue

Grant proceeds for operating activities are recorded in income as they are earned and are reported as a part of transit and planning council support and revenues. Capital grants are recorded as non-operating revenue. Grant proceeds received but not expended are shown as a deferred revenue on the balance sheet.

10. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, including designated and restricted assets.

11. Designated and Restricted Assets

Internally designated assets consist primarily of funds designated by the Policy Council for capital acquisitions. The Policy Council retains control over these funds, and may, at its discretion, subsequently use them for other purposes. Restricted assets include donor restricted gifts, and funds whose use is limited by law or contractual agreements.

12. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

13. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consists of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

NOTE B - RESTRICTED NET POSITION

Restricted expendable assets are available for the following purpose:

| | <u>2015</u> | <u>2014</u> |
|---------------------|-------------------|-------------------|
| Revolving loan fund | \$ <u>613,230</u> | \$ <u>613,230</u> |

The Organization has no restricted nonexpendable assets or endowments at June 30, 2015 or 2014.

Following is a summary of the use of temporarily restricted assets during the year ended June 30:

| | <u>2015</u> | <u>2014</u> |
|----------------------------|-------------------|-------------------|
| Purchase of capital assets | \$ <u>211,137</u> | \$ <u>398,621</u> |

NOTE C - DESIGNATED ASSETS

Of the \$1,797,303 (\$2,476,854 as of June 30, 2014) of unrestricted net position as of June 30, 2015, \$271,670 (\$401,167 for 2014) has been designated by the Organization's Policy Council for capital acquisitions. These assets remain under the control of the Policy Council, which may, at its discretion, later use the funds for other purposes.

NOTE D - DEPOSITS

The Organization's deposits at June 30, 2015 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. Investments are stated as indicated in Note A.

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NOTE D - DEPOSITS - Continued

The Organization is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Policy Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The composition of internally designated assets, which consists entirely of cash, is as follows:

| | <u>2015</u> | <u>2014</u> |
|-------------------------------|-------------------|-------------------|
| Internally Designated Assets: | | |
| SWIPCO: | | |
| Vehicle replacement | \$ 45,624 | \$ 38,876 |
| SWITA: | | |
| Vehicle replacement | <u>226,046</u> | <u>362,291</u> |
| | <u>\$ 271,670</u> | <u>\$ 401,167</u> |

The composition of restricted assets is as follows:

| | <u>2015</u> | <u>2014</u> |
|--------------------|-------------------|-------------------|
| Restricted Assets: | | |
| Cash | \$ 134,042 | \$ 170,293 |
| Loans receivable | <u>479,188</u> | <u>442,937</u> |
| | <u>\$ 613,230</u> | <u>\$ 613,230</u> |

Interest Rate Risk - The Organization's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Organization.

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NOTE E - FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 1 or 2 inputs were available to the Agency, therefore, Level 3 inputs were used to value all investments at June 30, 2015 and 2014.

Level 3 Fair Value Measurements

The loans receivable are not actively traded and significant other observable inputs are not available. Thus, the fair value of the loans receivable is based on contract value. Level 3 fair values for the loans receivable were \$479,188 at June 30, 2015 (\$442,937 at June 30, 2014). Management believes these values approximate current fair value.

The following tables reconcile the beginning and ending balances of fair value measurements for the Agency's Level 3 assets using unobservable inputs for the years ended June 30, 2015 and 2014:

June 30, 2015

| | |
|---------------------------------|-------------------|
| Beginning balance | \$ 442,937 |
| Loans receivable advanced | 95,000 |
| Collections on loans receivable | <u>(58,749)</u> |
| Ending balance | <u>\$ 479,188</u> |

June 30, 2014

| | |
|---------------------------------|-------------------|
| Beginning balance | \$ 395,315 |
| Loans receivable advanced | 189,950 |
| Collections on loans receivable | <u>(142,328)</u> |
| Ending balance | <u>\$ 442,937</u> |

SOUTHWEST IOWA PLANNING COUNCIL
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NOTE F - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2015 and 2014 were as follows:

| <u>Cost</u> | <u>Balance 2014</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance 2015</u> |
|--|-------------------------|------------------|-------------------|-------------------------|
| Land Improvements | \$ 169,146 | \$ -- | \$ -- | \$ 169,146 |
| Buildings | 1,308,121 | 14,529 | -- | 1,322,650 |
| Equipment | 396,614 | 14,429 | -- | 411,043 |
| Vehicles | <u>3,642,438</u> | <u>422,654</u> | <u>(132,276)</u> | <u>3,932,816</u> |
| | 5,516,319 | 451,612 | (132,276) | 5,835,655 |
| <u>Depreciation</u> | | | | |
| Land Improvements | 128,095 | 6,368 | -- | 134,463 |
| Buildings | 204,167 | 33,804 | -- | 237,971 |
| Equipment | 362,937 | 20,834 | -- | 383,771 |
| Vehicles | <u>2,682,554</u> | <u>354,187</u> | <u>(132,276)</u> | <u>2,904,465</u> |
| Total Depreciation | <u>3,377,753</u> | <u>415,193</u> | <u>(132,276)</u> | <u>3,660,670</u> |
| Depreciable Capital Assets, Net | <u>\$ 2,138,566</u> | <u>\$ 36,419</u> | <u>\$ --</u> | <u>\$ 2,174,985</u> |
| Non-Depreciable Capital Assets: Land | <u>\$ 54,975</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 54,975</u> |

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NOTE F - CAPITAL ASSETS - Continued

| <u>Cost</u> | <u>Balance 2013</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance 2014</u> |
|--|-------------------------|------------------|-------------------|-------------------------|
| Land Improvements | \$ 169,146 | \$ -- | \$ -- | \$ 169,146 |
| Buildings | 1,076,506 | 231,615 | -- | 1,308,121 |
| Equipment | 396,614 | -- | -- | 396,614 |
| Vehicles | 3,857,913 | 296,948 | (512,423) | 3,642,438 |
| | <u>5,500,179</u> | <u>528,563</u> | <u>(512,423)</u> | <u>5,516,319</u> |
| <u>Depreciation</u> | | | | |
| Land Improvements | 108,092 | 20,003 | -- | 128,095 |
| Buildings | 176,960 | 27,207 | -- | 204,167 |
| Equipment | 342,954 | 19,983 | -- | 362,937 |
| Vehicles | 2,806,499 | 388,478 | (512,423) | 2,682,554 |
| | <u>3,434,505</u> | <u>455,671</u> | <u>(512,423)</u> | <u>3,377,753</u> |
| Total Depreciation | | | | |
| Depreciable Capital Assets, Net | <u>\$ 2,065,674</u> | <u>\$ 72,892</u> | <u>\$ --</u> | <u>\$ 2,138,566</u> |
| Non-Depreciable Capital Assets: Land | <u>\$ 54,975</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 54,975</u> |

NOTE G - LONG-TERM LIABILITIES

A schedule of changes in the Organization's long-term liabilities for the years ended June 30, 2015 and 2014 follows:

| | <u>Balance 2014</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance 2015</u> | <u>Current Portion</u> |
|-----------------------|-------------------------|------------------|-------------------|-------------------------|----------------------------|
| Net Pension Liability | \$ -- | \$ 957,104 | \$ -- | \$ 957,104 | \$ -- |

The pension liability, as further described in Note H, represents an actuarial estimate of the Organization's share of the Iowa Public Employee Retirement System (IPERS) unfunded pension liability.

SOUTHWEST IOWA PLANNING COUNCIL
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NOTE H - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the Organization, except for those covered by another retirement system. Employees of the Organization are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

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NOTE H - PENSION PLAN - Continued

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the Organization contributed 8.93% for a total rate of 14.88%.

The Organization's contributions to IPERS for the year ended June 30, 2015 were \$151,098.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Organization reported a liability of \$957,104 for its proportionate share of the net pension liability. The Organization net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Organization's proportion of the net pension liability was based on the Organization's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Organization's collective proportion was 0.023649%, which was a decrease of 0.000163% from its proportion measured as of June 30, 2013. For the year ended June 30, 2015, the Organization recognized pension expense of \$69,844. At June 30, 2015, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 10,402 | \$ -- |
| Changes of assumptions | 42,239 | -- |
| Net difference between projected and actual earnings on pension plan investments | -- | 365,012 |
| Changes in proportion and differences between Organization contributions and proportionate share of contributions | (7,611) | -- |
| Organization contributions subsequent to the measurement date | <u>151,098</u> | <u>--</u> |
| | <u>\$ 196,128</u> | <u>\$ 365,012</u> |

SOUTHWEST IOWA PLANNING COUNCIL
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Notes to Financial Statements
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NOTE H - PENSION PLAN - Continued

The \$151,098, reported as deferred outflows of resources related to pensions resulting from the Organization contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts, reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in pension expense as follows:

| <u>Year Ended June 30,</u> | |
|--------------------------------|----------------------------|
| 2016 | \$(80,732) |
| 2017 | (80,732) |
| 2018 | (80,732) |
| 2019 | (80,732) |
| 2020 | <u>2,946</u> |
| | <u><u>\$(319,982)</u></u> |

There were no non-employer contribution entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|---|
| Rate of Inflation (effective June 30, 2014) | 3.00% |
| Salary increases (effective June 30, 2014) | 4.00%, average, including inflation |
| Investment rate of return (effective June 30, 1996) | 7.50% per annum, compounded annually, net of pension plan investment expense, including inflation |

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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NOTE H - PENSION PLAN - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|-------------------------|---|
| US Equity | 23% | 6.31 |
| Non US Equity | 15 | 6.76 |
| Private Equity | 13 | 11.34 |
| Real Estate | 8 | 3.52 |
| Core Plus Fixed Income | 28 | 2.06 |
| Credit Opportunities | 5 | 3.67 |
| TIPS | 5 | 1.92 |
| Other Real Assets | 2 | 6.27 |
| Cash | 1 | (0.69) |
| Total | <u>100%</u> | |

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Organization will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Organization's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Organization's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Organization's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

| | <u>1% Decrease (6.5%)</u> | <u>Discount Rate (7.5%)</u> | <u>1% Increase (8.5%)</u> |
|--|-----------------------------------|-------------------------------------|-----------------------------------|
| Organization's proportionate share of the net pension liability | <u>\$ 1,808,421</u> | <u>\$ 957,104</u> | <u>\$ 238,504</u> |

SOUTHWEST IOWA PLANNING COUNCIL
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NOTE H - PENSION PLAN - Continued

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the Organization reported payables to the defined benefit pension plan of \$ - 0 - for legally required employer contributions and \$ - 0 - for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE I - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: As required by state law, the Organization offers health insurance to former employees who have retired after age 55, but have not reached Medicare eligibility. The self-insured plan is a part of the plan offered to all Organization employees, and the retirees must pay the full cost of the health insurance premium equal to that charged for current employees. There are approximately 18 active employees and no retirees currently covered by the plan.

Funding Policy: The Organization does not set aside funds to pay for any OPEB liability. Any Organization costs of an implicit health insurance premium rate subsidy are charged to expense in the year paid.

Net OPEB Obligation: Management had an actuarial valuation performed dated September 2, 2014. The actuarial report noted the unfunded actuarial accrued liability to be \$12,906. The annual required contribution for the year end June 30, 2015 is \$3,072. Management of the Organization considers this OPEB obligation to be immaterial and has not recorded this liability in its statements of net position.

NOTE J - RELATED ORGANIZATION

The Organization provides administrative support to Southwest Iowa Housing Trust Fund (SIHTF). Support provided includes contracting administrative personnel to SIHTF, collecting revenue and paying expenses of SIHTF, and maintaining the accounting records for SIHTF. Below is a list of amounts due to or from SIHTF at year end, and the transactions between SIHTF and the Organization during the years ended June 30, 2015 and 2014:

| | 2015 | 2014 |
|--|------------|------------|
| Interest paid to the Organization by SIHTF | \$ -- | \$ 1,337 |
| Revenues collected for SIHTF by the Organization | \$ 948,439 | \$ 739,445 |
| Expenses paid for SIHTF by the Organization | \$ 992,422 | \$ 706,410 |

SOUTHWEST IOWA PLANNING COUNCIL
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NOTE K - COMMITMENTS AND CONTINGENCIES

Risk Management

The Organization is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage during the past three years.

Subsequent Events

The Organization has evaluated all subsequent events through October 12, 2015, the date the financial statements were available to be issued.

NOTE L - ECONOMIC DEPENDENCY

The Organization received approximately 43% of its total support and revenue through its contract with the Iowa and Federal Departments of Transportation for the year ended June 30, 2015 (38% for 2014). The Organization's contract with the Iowa Department of Transportation has been renewed with a 3% decrease for fiscal year ending June 30, 2016. The Organization's contract with the Federal Department of Transportation has been renewed with a 6% decrease for fiscal year ending June 30, 2016.

NOTE M - CONCENTRATION OF CREDIT RISK

The Organization grants credit without collateral to its clients, most of whom are area businesses and local governments. The mix of receivables at June 30, 2015 and 2014, was as follows:

| | <u>2015</u> | <u>2014</u> |
|-------------------|-------------|-------------|
| Local governments | 89% | 95% |
| Area businesses | 10 | 4 |
| Individuals | <u>1</u> | <u>1</u> |
| | <u>100%</u> | <u>100%</u> |

NOTE N - BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are not reported as Required Supplementary Information. As there is no legal requirement to adopt a budget, GASB 34 does not require this disclosure.

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NOTE O - ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

| | <u>Net Position</u> |
|--|-------------------------|
| Net position June 30, 2014, as previously reported | \$ 5,264,316 |
| Net pension liability at June 30, 2014 | (1,348,263) |
| Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date | <u>141,021</u> |
| Net position July 1, 2014, as restated | <u>\$ 4,057,074</u> |

* * *

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHWEST IOWA PLANNING COUNCIL
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SOUTHWEST IOWA TRANSIT AGENCY
Schedule of the Organization's Proportionate Share of the Net IPERS Pension Liability
June 30, 2015

| | |
|---|--------------|
| Organization's proportion of the net pension liability | .023649% |
| Organization's proportionate share of the net pension liability | \$ 957,000 |
| Organization's covered-employee payroll | \$ 1,580,000 |
| Organization's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 60.57% |
| Plan fiduciary net position as a percentage of the total pension liability | 87.61% |

Note - GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Organization will present information for those years for which information is available. The amounts presented are from the previous IPERS June 30 fiscal year. Amounts reported are rounded.

See accompanying independent auditor's report.

SOUTHWEST IOWA PLANNING COUNCIL
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Schedule of Organization IPERS Pension Contributions
Year Ended June 30,

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---|-------------------|-------------------|-------------------|-------------------|
| Statutorily required contribution | \$ 151,100 | \$ 141,100 | \$ 133,500 | \$ 124,000 |
| Contributions in relation to the statutorily required contribution | <u>(151,100)</u> | <u>(141,100)</u> | <u>(133,500)</u> | <u>(124,000)</u> |
| Contribution deficiency (excess) | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |
| Organization's covered-employee payroll | \$ 1,692,000 | \$ 1,580,000 | \$ 1,540,100 | \$ 1,536,700 |
| Contributions as a percentage of covered-employee payroll | 8.93% | 8.93% | 8.67% | 8.07% |

Note - Amounts reported are rounded and include amounts paid on behalf of related organization.

See accompanying independent auditor's report.

| <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 98,600 | \$ 90,900 | \$ 80,000 | \$ 62,700 | \$ 46,700 | \$ 39,300 |
| (98,600) | (90,900) | (80,000) | (62,700) | (46,700) | (39,300) |
| <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |
| \$ 1,419,300 | \$ 1,367,200 | \$ 1,259,800 | \$ 1,036,500 | \$ 812,400 | \$ 684,100 |
| 6.95% | 6.65% | 6.35% | 6.05% | 5.75% | 5.75% |

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Required Supplementary Information - Pension Liability
Year Ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Notes to Required Supplementary Information - Pension Liability
Year Ended June 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

* * *

SUPPLEMENTARY INFORMATION

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

| Federal Grantor/Pass-through Grantor/Program Title | CFDA Number | Grant or Number |
|---|----------------|--------------------|
| U.S. Department of Commerce | | |
| Direct Programs | | |
| Support for Planning Organizations | 11.302 | 05-83-05389 |
| Total U.S. Department of Commerce | | |
| U.S. Department of Transportation | | |
| Indirect Programs | | |
| Iowa Department of Transportation | | |
| SFY 2014 Transportation Planning Work Program | 20.205 | 14RPA-13 |
| SFY 2015 Transportation Planning Work Program | 20.205 | 15RPA-13 |
| Capital Investment Assistance Project | 20.500 | 04-0113-130-13 |
| Congestion Mitigation and Air Quality Improvement | 20.509 | 85-0034-130-13 |
| Congestion Mitigation and Air Quality Improvement | 20.509 | 85-0034-130-14 |
| Non-Urban Operating Assistance Project | 20.509 | 18-0031-130-15 |
| SFY 2015 Transportation Planning Work Program | 20.509 | 15RPA-13 |
| Training Fellowship | 20.509 | TFR-15-021 |
| Training Fellowship | 20.509 | TFR-15-032 |
| Training Fellowship | 20.509 | TFR-15-045 |
| Training Fellowship | 20.509 | TFR-15-046 |
| Training Fellowship | 20.509 | TFR-15-047 |
| Nebraska Department of Roads | | |
| Metropolitan Area Planning Agency | | |
| Early Hours Shift Transportation | 20.516 | 15504400302 |
| Total U.S. Department of Transportation | | |
| Total Expenditures of Federal Awards | | |
| Total Direct Programs | | |
| Total Indirect Programs | | |

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency, and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

See accompanying independent auditor's report.

| <u>Period of Grant</u> | <u>Federal Expenditures</u> |
|------------------------|---------------------------------|
| 07/01/14 to 06/30/15 | \$ <u>60,000</u> |
| | 60,000 |
| 07/01/13 to 06/30/14 | 396 |
| 07/01/14 to 06/30/15 | <u>29,484</u> |
| | 29,880 |
| 04/01/13 to 05/31/15 | 7,564 |
| 03/12/13 to 03/31/15 | 7,290 |
| 10/01/13 to 06/30/16 | 64,000 |
| 07/01/14 to 06/30/15 | 1,095,942 |
| 07/01/14 to 06/30/15 | 21,185 |
| 07/01/14 to 06/30/15 | 111 |
| 07/01/14 to 06/30/15 | 621 |
| 07/01/14 to 06/30/15 | 260 |
| 07/01/14 to 06/30/15 | 1,356 |
| 07/01/14 to 06/30/15 | <u>2,158</u> |
| | 1,192,923 |
| 09/22/14 to 06/30/20 | <u>132,283</u> |
| | <u>1,362,650</u> |
| | \$ <u>1,422,650</u> |
| | \$ <u>60,000</u> |
| | \$ <u>1,362,650</u> |

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Schedules of Transit Agency Support, Revenues and Expenses
Year ended June 30,

| | <u>2015</u> | <u>Not Restated 2014</u> |
|--|-------------------|----------------------------------|
| Public Support and Revenues: | | |
| Public support: | | |
| Iowa Department of Transportation | \$ 525,582 | \$ 463,625 |
| Other state assistance | 1,247,691 | 1,114,614 |
| Federal Department of Transportation | 1,100,448 | 951,469 |
| Local assistance | <u>76,000</u> | <u>76,000</u> |
| | <u>2,949,721</u> | <u>2,605,708</u> |
| Revenues: | | |
| Fares | 367,098 | 444,419 |
| Other | <u>48,532</u> | <u>35,411</u> |
| | <u>415,630</u> | <u>479,830</u> |
| Total public support and revenues | 3,365,351 | 3,085,538 |
| Expenses: | | |
| Salaries | 1,321,583 | 1,199,586 |
| Bad debts | 166 | 513 |
| Depreciation | 398,908 | 437,018 |
| Employee benefits | 144,971 | 171,185 |
| Insurance | 189,105 | 189,355 |
| Lubricants and fuel | 416,508 | 526,899 |
| Payroll taxes | 100,334 | 97,456 |
| Purchased transportation | 125,795 | 120,197 |
| Repairs and maintenance | 135,175 | 134,007 |
| Space costs | 66,044 | 59,792 |
| Transit operations | <u>123,766</u> | <u>104,186</u> |
| | <u>3,022,355</u> | <u>3,040,194</u> |
| Income from Operations | 342,996 | 45,344 |
| Non-Operating Revenue: | | |
| Interest income | 205 | 1,478 |
| Capital grants | 211,137 | 398,621 |
| Gain on sale of assets | <u>4,859</u> | <u>7,272</u> |
| | <u>216,201</u> | <u>407,371</u> |
| Excess of Support and Revenues Over Expenses | <u>\$ 559,197</u> | <u>\$ 452,715</u> |

See accompanying independent auditor's report.

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY
Schedules of Planning Council Support, Revenues and Expenses
Year ended June 30,

| | <u>2015</u> | <u>Not Restated 2014</u> |
|--|------------------|----------------------------------|
| Public Support and Revenues: | | |
| Public support: | | |
| Federal Department of Transportation | \$ 51,065 | \$ 65,042 |
| Federal Department of Commerce | 60,000 | 54,000 |
| Federal Department of Labor | -- | 64,230 |
| State Department of Economic Development | 11,765 | 10,294 |
| City and county dues | <u>75,955</u> | <u>72,857</u> |
| | <u>198,785</u> | <u>266,423</u> |
| Revenues: | | |
| Grant administration | 77,304 | 225,973 |
| Contracts | 124,520 | 120,376 |
| Other | <u>158</u> | <u>66</u> |
| | <u>201,982</u> | <u>346,415</u> |
| Total public support and revenues | 400,767 | 612,838 |
| Expenses: | | |
| Salaries | 245,931 | 238,126 |
| Depreciation | 16,285 | 18,653 |
| Employee benefits | 32,110 | 58,936 |
| Grant administration | 51,636 | 46,768 |
| HLSEM expense | -- | 61 |
| Insurance | 2,311 | 2,632 |
| Payroll taxes | 18,355 | 16,443 |
| Postage | 1,074 | 1,266 |
| Space costs | <u>8,868</u> | <u>6,973</u> |
| | <u>376,570</u> | <u>389,858</u> |
| Income from Operations | 24,197 | 222,980 |
| Non-Operating Revenue: | | |
| Interest income | <u>25</u> | <u>32</u> |
| Excess of Support and Revenues Over Expenses | <u>\$ 24,222</u> | <u>\$ 223,012</u> |

See accompanying independent auditor's report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
DAVID L. HANNASCH
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Policy Council
Southwest Iowa Planning Council
and Southwest Iowa Transit Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Southwest Iowa Planning Council, including Southwest Iowa Transit Agency's basic financial statements and have issued our report thereon dated October 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southwest Iowa Planning Council, including Southwest Iowa Transit Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of current audit findings and questioned costs that we consider to be significant deficiencies: 15-II-A.

To the Policy Council
Southwest Iowa Planning Council
and Southwest Iowa Transit Agency

Compliance and Other Matters

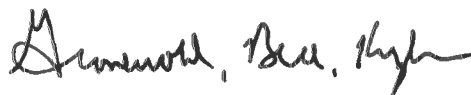
As part of obtaining reasonable assurance about whether Southwest Iowa Planning Council, including Southwest Iowa Transit Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current audit findings and questioned costs as items: 15-IV-A.

Response to Findings

Southwest Iowa Planning Council, including Southwest Iowa Transit Agency's responses to the findings identified in our audit is described in the accompanying schedule of current audit findings and questioned costs. Southwest Iowa Planning Council, including Southwest Iowa Transit Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 - Co. P.C.

Atlantic, Iowa
October 12, 2015

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
DAVID L. HANNASCH
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

To the Policy Council
Southwest Iowa Planning Council
and Southwest Iowa Transit Agency

Report on Compliance for Each Major Federal Program

We have audited Southwest Iowa Planning Council, including Southwest Iowa Transit Agency compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2015. The Organization's major federal program is identified in the summary of the independent auditor's results section of the accompanying schedule of current audit findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, Southwest Iowa Planning Council, including Southwest Iowa Transit Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

To the Policy Council
Southwest Iowa Planning Council
and Southwest Iowa Transit Agency

Report on Internal Control Over Compliance

Management of Southwest Iowa Planning Council, including Southwest Iowa Transit Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of current audit findings and questioned costs as item 15-III-A to be significant deficiencies.

Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of current audit findings and questioned costs. Southwest Iowa Planning Council's, including Southwest Iowa Transit Agency response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Annex, Bell, Ryan & Co. P.C.

Atlantic, Iowa
October 12, 2015

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY

Schedule of Current Audit Findings and Questioned Costs

Year ended June 30, 2015

Part I: Summary of the Independent Auditor's Results

Financial Statements

- (a) Type of auditor's report issued:
- Unmodified.
- (b) Internal control over financial reporting:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified? X yes none reported
- (c) Noncompliance material to financial statements noted? yes X no

Federal Awards

- (d) Internal control over major program:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified? X yes none reported
- (e) Type of auditor's report issued on compliance for major program:
- Unmodified.
- (f) Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the OMB Circular A-133? X yes no
- (g) Identification of major program:
- CFDA Number 20.509 - Department of Transportation Formula Grants for Rural Areas
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- (i) Auditee qualified as low-risk auditee? yes X no

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY

Schedule of Current Audit Findings and Questioned Costs

Year ended June 30, 2015

Part II: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

15-II-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Organization. This deficiency is common among most smaller organizations.

Recommendation: We recognize that it may not be economically feasible for the Organization to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Council is aware of this lack of segregation of duties and will continue on an ongoing basis to act as an oversight group. The Organization has also made some changes in its procedures to separate the preparation of bank reconciliations, cash receipt and cash depositing/general ledger posting functions to provide a better segregation of duties. The Council has also added steps to its cash disbursements procedures to provide more accountability in the bill approval process.

Conclusion: Response accepted.

* * *

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY

Schedule of Current Audit Findings and Questioned Costs

Year ended June 30, 2015

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NONCOMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 20.509 - Formula Grants for Rural Areas

Pass-through Numbers: 85-0034-130-13, 85-0034-130-14, 18-0031-130-15, 15-RPA-13,
TFR-15-021, TFR-15-032, TFR 15-045, TFR-15-046, TFR-15-047

Federal Award Year: 2015

U.S. Department of Transportation

Passed through the Iowa Department of Transportation

- 15-III-A Segregation of Duties over Federal Revenues and Expenditures - The Organization did not properly segregate custody, record-keeping and reconciling functions for revenues and expenditures, including those related to Federal programs. See audit finding 15-II-A.

* * *

SOUTHWEST IOWA PLANNING COUNCIL
INCLUDING
SOUTHWEST IOWA TRANSIT AGENCY

Schedule of Current Audit Findings and Questioned Costs

Year ended June 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting:

- 15-IV-A Questionable Expenditures - During the audit, we noted a certain expenditure approved in the Board minutes that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979. The expense was as follows:

| <u>Paid to</u> | <u>Purpose</u> | <u>Amount</u> |
|--------------------------------|------------------------------|---------------|
| Atlantic Golf and Country Club | Employee recognition banquet | \$ 399 |

Recommendation: We recommend that the Board continue to document the public purpose of such an expenditure before authorization is given.

Response: The expenditure is considered part of the employee benefit package and the Board feels it meets the requirements of public purpose as defined by the Attorney General's opinion dated April 25, 1979.

Conclusion: Response accepted.

- 15-IV-B Travel Expense - No expenditures of Organization money for travel expenses of spouses of Organization officials or employees were noted.
- 15-IV-C Business Transactions - No business transactions between the Organization and Organization officials or employees were noted.
- 15-IV-D Bond Coverage - Surety bond coverage of Organization officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 15-IV-E Board Minutes - No transactions requiring Board approval were noted which had not been approved.
- 15-IV-F Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Organization's investment policy were noted.

* * *